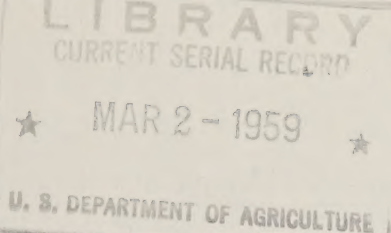


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# the AGRICULTURAL OUTLOOK DIGEST

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Record supplies will weigh heavily on farmers' markets in 1959 and some decline in agricultural prices and income from the improved 1958 levels is likely.

Crop production in 1958 surpassed any previous year by more than a tenth. Harvested acreage was smallest in 40 years, but an excellent growing season raised yields per acre 12% above 1957, and 42% above the 1947-49 average. Much of this year's crops will be marketed in the first half of 1959.

High crop production is likely again next year, barring severe drought. Yields per acre have increased an average of 4% a year the last decade. Even if weather is less favorable than in 1958, improving technology is likely to keep output per acre high. Acreage may be up some because of the ending of the Acreage Reserve program of the Soil Bank.

Big stocks again supplement the big production. Wheat carryover at the beginning of the current marketing year, though moderately below recent years, still amounted to 881 million bushels. Record 1958 crop will raise carryover to an estimated 1.3 billion bushels next July 1. Feed grain stocks have increased for 6 consecutive years...hit 59 million tons this year...probably will rise to 75 million next year. This is nearly half the record 1958 crop. In contrast, the cotton carryover is down sharply from the 1956 peak and a further small reduction is expected in 1958-59. Rice stocks also will be cut again.

Livestock production will continue to rise next year, with the big supply of feed and favorable feeding ratios a powerful incentive. Hog production turned up sharply this fall...broiler output in 1958 rose an estimated 15% ...cattle numbers began to climb. Year's total livestock production was slightly above 1957 record.

Further increases in hog and broiler output are in prospect for 1959. Egg production will be up through at least the first half of 1959. A slight gain is likely for milk production which leveled out in 1958 after a steady 5-year increase. Cattle and sheep numbers probably will continue up.

U. S. demand for farm products is strong and growing. In the first 9 months of 1958, sales at retail food stores were 6% above the same period of 1957 as both prices received by farmers and marketing spreads rose. The farmers' share of the consumer's dollar for the "market basket" of farm produced foods held at the 1957 level of 40 cents.

High level of consumer income through the recession bolstered the demand for food. Income showed only a minor decline. Although unemployment rose and the work-week shortened, unemployment compensation and social security benefits increased and farm income was up. Income has now risen above a year earlier.



Higher consumer income expected in 1959 points to stronger demand for food. Economic activity has been rising from the recession low earlier this year...is expected to continue to increase. Main factors pointing in this direction are prospects for an end to the declines in business capital outlays and in inventories, increased consumer spending, and a further rise in expenditures by Federal, State and local governments.

Agricultural exports in 1957-58 dropped about 15% from the previous year's peak but remained above most other years. A slight decline is expected for 1958-59. Shipments of grains are likely to be up but a further drop is likely for cotton. Government programs will again be a major factor in our export market.

The outlook points to a slight decline in the farm price level in 1959. Prices received by farmers rose sharply early this year. Although they have slipped since May, average for the first 10 months was 6% above the same period of 1957...the highest in 5 years.

Much of the small reduction in the 1959 price average will come from the substantial decline expected for hogs as marketings increase. Poultry product prices are likely to be down the first half of the year because of larger output. In the same period, prices of vegetables and fruits may run lower than in the first half of 1958 when bad weather cut supplies. Cattle prices probably will hold up well. While numbers are increasing, slaughter is not likely to rise much for at least a year. No large price changes are anticipated for most 1959 field crops since support levels will average close to those for 1958 crops.

Farmers probably will receive about as much from marketings in 1959 as in 1958. They will probably sell about enough more to make up for the reduction in prices. However, the acreage reserve of the Soil Bank has been discontinued...payments under the program for this year amount to \$700 million. Consequently, gross income is likely to be down.

Production costs are likely to take a slightly bigger bite out of gross income than in 1958. Persistent rise in index of prices paid by farmers, including interest, taxes and wage rates continued in 1958...average for first 10 months was 3% above year earlier. Next year further increases are in store for interest, taxes, wage rates and some industrial items. Although feed prices are likely to be a little lower, total production expenses of farmers probably will be up slightly.

Overall, the outlook points to a 5 to 10% reduction from 1958 in the net income realized by farm operators. Decline would be from highest level in 5 years. Realized net for the first 3 quarters of 1958 was at an annual rate of about \$13 billion, a fifth above a year earlier, highest in 5 years.